

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (5/21):
BUTTER: Grade AA closed at \$2.0600. The weekly average for Grade AA is \$2.0608 (-0.0267).

CHEESE: Barrels closed at \$1.6100 and blocks at \$1.8000. The weekly average for barrels is \$1.7860 (-0.1250) and blocks, \$1.9600 (-0.1000).

NONFAT DRY MILK: Extra Grade closed at \$0.9200 and Grade A at \$0.9200. The weekly average for Extra Grade is \$0.9200 (-0.0120) and Grade A \$0.9200 (-0.0120).

BUTTER: Cash prices were weaker at the CME market last week, but have rebounded this week as buyers bid for additional loads. Churning activity across the country was somewhat stronger this week as cream supplies become more available. In many instances, butter producers were taking advantage of the additional offerings and generating butter stocks for future use. Some butter producers are being selective in their outside cream purchases and are holding the line for lower than asking prices, delivered. Most producers and handlers continue to report that their supply situation is not at desired levels for this time of the year. Butter demand is fair at best. More retailers are now indicating that firm prices at retail are meeting with consumer resistance. The many TV and print articles about the sharply higher prices for dairy products are shedding more light on these markets than any other time in the past. Food service orders are stronger as vacation and resort areas prepare for the upcoming Memorial Day holiday and the unofficial opening of the summer vacation season.

CHEESE: The cheese market is weak. Buyers continue to limit purchases in anticipation of additional price declines. Sluggish overall cheese sales have caused extra milk volumes to be diverted to butter/powder and some into cheddar for possible offer on Chicago Mercantile Exchange cash cheese market. Inventory is growing at most production plants. Many packagers and/or processors continue to operate on less than full 5 day schedules. Manufacturing plant schedules are heavy as milk intakes near the annual peak.

FLUID MILK: Milk supplies are generally running heavier than needed across most areas of the country during the timeframe that is typically the heaviest milk producing time of the year. Colleges and schools are beginning to close for the summer and milk needs are slowing to those accounts. Retail bottled milk demand is mixed across the country. Some locations are more price sensitive on this issue than others. Demand for manufacturing milk has slowed, reflecting the decline and unsettledness in the cheese market prices. Discounting milk is moving some milk, but not at desired volumes. Milk production in the Northeast is at or nearly at the seasonal peak. Florida output remains strong and excess is being shipped out of state for processing. Milk receipts in the Midwest are steady to seasonally higher. California and New Mexico are seeing steady to slightly higher intakes, but Arizona levels are declining slightly. Milk in the Pacific Northwest is steady and near the seasonal peak. In Utah and Idaho, milk output is increasing slowly.

DRY PRODUCTS: Nonfat dry milk prices are holding mostly steady with the trade assessing increased production, less aggressive demand, CCC sellbacks,

and additional product availability. The recent price increases have caused buyers to be more cautious. The influx of milk into butter/powder facilities is a factor. Dry buttermilk market prices are steady to higher. Price relationships between regions are narrowing as more product is being offered onto the market. Demand is absorbing current offerings. Dry whey market price increases of recent weeks have slowed as the market conditions are assessed. Buyers have coverage and are not aggressively pursuing loads. Export conditions are not as favorable for all brands at current pricing levels. Whey protein concentrate prices moved higher. Demand is better for food and export accounts. Resistance is noted from feed buyers. Whey solids are moving to profitable higher protein powders. Lactose prices and market tone are fully steady.

CCC: For the week of May 17 - 21, CCC purchased 7,694,154 pounds of non-fortified NDM through the Export Donation Program under Invitation 080 to Announcement FMP1. The cumulative total under Invitation 080 is 37,987,838 pounds.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for June 2004 is \$21.13, up \$1.48 from May and \$11.39 higher than last June. This price is derived from the advanced Class III skim milk pricing factor of \$12.98 and the advanced butterfat pricing factor of \$2.4580 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for June 2004 is \$6.91 and the Class II nonfat solids price is \$0.7678 per pound. The following are the two-week product price averages: butter \$2.1633, nonfat dry milk \$0.8372, cheese \$2.1838, and dry whey \$0.2975.

APRIL MILK PRODUCTION (NASS): Milk production in the 20 major states during April totaled 12.6 billion pounds, down 0.9% from April 2003. March revised production, at 12.8 billion pounds, was down 1.7% from March 2003. The March revision represented an increase of 0.2% or 22 million pounds from last month's preliminary production estimate. Production per cow averaged 1,630 pounds for April, 3 pounds (+0.2%) above April 2003. The number of cows on farms was 7.72 million head, 81,000 head (-1.0%) less than April 2003, but 2,000 head more than March 2004.

APRIL FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During April, about 6.5 billion pounds of milk were received from producers. This volume of milk is 39.5% lower than the April 2003 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -1.3%.) About 3.8 billion pounds of producer milk were used in Class I products, 0.4% lower than the previous year. Calendar composition had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilizations were: Class I = 58%, Class II = 18%, Class III = 9%, and Class IV = 15%. The weighted average statistical uniform price was \$16.48, \$1.32 higher than last month, and \$5.72 higher than last year.

******SPECIAL THIS ISSUE******

APRIL MILK PRODUCTION (PAGE 7)

DAIRY OUTLOOK (PAGE 8)

APRIL FEDERAL MILK ORDER PRICE AND POOL SUMMARY (PAGE 9)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY MAY 17	TUESDAY MAY 18	WEDNESDAY MAY 19	THURSDAY MAY 20	FRIDAY MAY 21	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.8300 (N.C.)	\$1.8300 (N.C.)	\$1.8300 (N.C.)	\$1.8300 (N.C.)	\$1.6100 (-.2200)	(-.2200)	\$1.7860 (-.1250)
40# BLOCKS	\$2.0000 (N.C.)	\$2.0000 (N.C.)	\$2.0000 (N.C.)	\$2.0000 (N.C.)	\$1.8000 (-.2000)	(-.2000)	\$1.9600 (-.1000)
NONFAT DRY MILK							
EXTRA GRADE	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (-.0120)
GRADE A	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (-.0120)
BUTTER							
GRADE AA	\$2.0450 (+.0250)	-----	\$2.0775 (+.0325)	-----	\$2.0600 (-.0175)	(+.0400)	\$2.0608 (-.0267)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, MAY 17, 2004

CHEESE -- SALES: 16 CARS 40# BLOCKS: 3 @ \$1.9900, 6 @ \$1.9875, 2 @ \$1.9900, 1 @ \$2.0000, 1 @ \$1.9850, 2 @ \$1.9900, 1 @ \$2.0000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.8300; 1 CAR 40# BLOCKS @ \$2.0800
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 14 CARS GRADE AA: 7 @ \$2.0000, 2 @ \$2.0100, 1 @ \$2.0125, 1 @ \$2.0200, 1 @ \$2.0250, 1 @ \$2.0350, 1 @ \$2.0425; BIDS UNFILLED: 6 CARS GRADE AA: 1 @ \$2.0450, 1 @ \$2.0025, 4 @ \$2.0000; OFFERS UNCOVERED: NONE

TUESDAY, MAY 18, 2004

CHEESE -- SALES: 1 CAR BARRELS @ \$1.8275; 10 CARS 40# BLOCKS: 3 @ \$1.9900, 2 @ \$1.9975, 1 @ \$2.0000, 1 @ \$1.9975, 1 @ \$2.0000, 1 @ \$1.9975, 1 @ \$2.0000; BIDS UNFILLED: 1 CAR BARRELS @ \$1.8300; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, MAY 19, 2004

CHEESE -- SALES: 7 CARS 40# BLOCKS: 1 @ \$1.9900, 2 @ \$1.9975, 1 @ \$2.0000, 1 @ \$1.9975, 1 @ \$2.0000, 1 @ \$1.9975; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$2.0000; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.8300
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 24 CARS GRADE AA: 7 @ \$2.0450, 2 @ \$2.0425, 1 @ \$2.0550, 2 @ \$2.0575, 1 @ \$2.0625, 1 @ \$2.0575, 1 @ \$2.0600, 1 @ \$2.0650, 1 @ \$2.0700, 1 @ \$2.0800, 2 @ \$2.0650, 1 @ \$2.0625, 1 @ \$2.0600, 2 @ \$2.0575; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$2.0775, 1 @ \$2.0450; OFFERS UNCOVERED: NONE

THURSDAY, MAY 20, 2004

CHEESE -- SALES: 6 CARS BARRELS: 1 @ \$1.8275, 1 @ \$1.8300, 1 @ \$1.8275, 1 @ \$1.8300, 1 @ \$1.8275, 1 @ \$1.8300; 25 CARS 40# BLOCKS: 5 @ \$1.9900, 1 @ \$1.9975, 1 @ \$2.0000, 5 @ \$1.9900, 1 @ \$2.0000, 1 @ \$1.9975, 1 @ \$2.0000, 1 @ \$1.9975, 1 @ \$2.0000, 1 @ \$1.9975, 1 @ \$2.0000, 1 @ \$1.9975, 1 @ \$2.0000, 4 @ \$1.9800; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$2.0000; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.8300
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, MAY 21, 2004

CHEESE -- SALES: 1 CAR BARRELS @ \$1.6100; 15 CARS 40# BLOCKS: 1 @ \$1.8500, 3 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.7875, 1 @ \$1.7775, 4 @ \$1.7800, 2 @ \$1.8000, 1 @ \$1.7900, 1 @ \$1.8000; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.8000; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.6100, 2 @ \$1.8300; 19 CARS 40# BLOCKS: 1 @ \$1.8150, 1 @ \$1.8200, 1 @ \$1.8275, 2 @ \$1.8400, 1 @ \$1.8500, 2 @ \$1.8575, 1 @ \$1.8600, 2 @ \$1.9750, 1 @ \$1.9975, 7 @ \$2.0000
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA @ \$2.0775; BIDS UNFILLED: 3 CARS GRADE AA: 2 @ \$2.0000, 1 @ \$1.8000; OFFERS UNCOVERED: 7 CARS GRADE AA: 5 @ \$2.0600, 2 @ \$2.0750

BUTTER MARKETS**NORTHEAST**

Despite Monday's price increase, the market tone is showing signs of weakness. Eastern butter production was heavier last week and early reports indicate that output will be heavy again this week. Trading activity during the May 17 session at the CME did see fourteen sales with thirteen based on bids. This could be a continued push by some suppliers to build stocks at a reasonable price or an attempt by some to "support" prices at these levels. Eastern producers do report that sales of packaged butter to retailers are slowing, a sign that retail prices are influencing consumers. The many print and TV articles about the sharply higher prices for dairy products is shedding more light on these markets than any other time in the past. Demand for bulk butter is just fair. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The market tone is steady to firm. Many butter producers and handlers continue to voice their concern about not having sufficient butter volumes for this time of the year. Churning activity is seasonally active as cream supplies and outside offerings are readily available. Some butter producers report the cream market to be sloppy. Some producers are being selective in their outside cream purchases and are holding the line for lower than asking prices, delivered. Butter demand is fair at best. More retailers are now indicating that firm prices at retail are meeting with consumer resistance. Some indicate that butter blends and margarine are experiencing stronger sales patterns. Food service orders are

seasonally strong as vacation and resort areas prepare for the upcoming Memorial Day holiday and the unofficial opening of the summer vacation season. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Prices were weaker at the cash CME market last week, but they rebounded this week as buyers bid for additional loads of butter. Prices at midweek are 5 3/4 cents higher as 38 cars changed hands. Western contacts are seeing some additional cream supplies, but they are not calling the offerings heavy. Offered production is clearing easily. Inventories are generally not building in the region. Retail sales are showing some signs of a slowdown, but reports coming in from food service accounts note strong sales. There is some discussion noted about imported butter, but offerings are certainly below levels noted the last time butter prices surged a few years ago. Some Western contacts were a little surprised at the milk production report released this week. Most had thought that output would be pegged a bit lower. They don't see this report as supportive of the current high product prices. Stocks reported on a weekly basis by CME approved warehouses grew by 872,000 pounds this past week to reach 93.5 million pounds. Stocks have grown by 6.1 million pounds over the past five weeks compared to 24.1 million pounds for the same period last year. Stocks continue to trail the last two years by a wide margin. Current prices for bulk butter range from flat market to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
MAY 15	2.1638	2.1285	0.8397	2.1563	0.2990
	8,936,878	10,470,286	23,544,552	2,669,360	10,747,275

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are sharply lower following last week's trading activity at the CME. The market tone is unsettled. Some contacts think that the CME prices may stabilize at or near current levels, while others feel that there is some more "down" in the market. Demand for cheese is slower as higher prices of the past few months are taking their toll on consumption at both the retail and food service portions of the market. Cheese output in the East is lighter as Class III milk prices are too high to make cheese on a falling market. Production levels are sufficient to keep pace with orders, but little inventory is being built. Distributors are also cautious about placing orders as they do not want to be caught with much inventory.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	2.1275-2.6425
Cheddar Single Daisies	:	2.0850-2.5600
Cheddar 40# Block	:	2.2000-2.4600
Process 5# Loaf	:	2.1200-2.3250
Process 5# Sliced	:	2.1400-2.3825
Muenster	:	2.3000-2.5025
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to weak. The wide block/barrel spread is forcing producers to minimize barrel production in favor of blocks. Some resulting blocks are being prepared to offer on the Chicago Mercantile Exchange cash cheese market. Demand for cheese continues to be affected by high prices and the possibility of additional price declines. Most, if not all, cutters and processors continue to operate on abbreviated schedules. Inventory continues to accumulate at most manufacturing plants. Process and natural interest remain sluggish for this time of year though some orders are still affected by price protection programs. Vacation area orders are being shipped for Memorial Day weekend though there is concern over the affect high fuel and cheese prices will have on demand. Processing solids demand is moderate. More mozzarella producers are cutting back on NDM use to reduce production. Current cheese production is increasing seasonally as milk intakes approach the annual peak. Some sizeable discounts are being offered and paid to place milk into a plant this week and for the holiday weekend. Cheese yields are drifting lower seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	2.0900-2.6000
Brick And/Or Muenster 5#	:	2.5800-2.7150
Cheddar 40# Block	:	2.2650-2.4800
Monterey Jack 10#	:	2.2650-2.6550
Blue 5#	:	2.8100-3.2900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.3575-2.4800
Grade A Swiss Cuts 6 - 9#	:	2.5075-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
05/17/04	39,863	: 138,944
05/01/04	40,348	: 132,971
CHANGE	-485	: 5,973
% CHANGE	-1	: 4

WEST

The weekly average cheese price has fallen for three consecutive weeks at the cash CME market in Chicago. Sales activity has been heavier over that time period than previously noted. Most of the sales activity has been on offers that were purchased. Prices peaked at all time record high prices in mid-April at \$2.17 for barrels and \$2.20 for blocks. Prices have fallen 34 cents and 20 cents respectively since that time. Buyers are taking a more wait and see approach. They believe that prices may be lower by the time they place their next order and they do not see supplies as short as they have been this spring. They are no longer concerned about finding cheese supplies in the short run. Contacts are not certain if we are on a price plateau at this time, but they don't think the very wide spread between barrels and blocks is sustainable. Milk is shifting out of barrel production into other types of cheese at some locations. Also, plants are hesitant to take possession of expensive outside milk supplies as cheese prices decline. Therefore, some milk that had been going into cheese production is now headed to butter/powder output.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	2.0600-2.3200
Cheddar 40# Block	:	2.1825-2.5350 *
Cheddar 10# Cuts	:	2.3625-2.5825
Monterey Jack 10#	:	2.3725-2.5325
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

* CORRECTION: Last week should have been 2.2725-2.6625

FOREIGN

Prices range from unchanged on imported styles to sharply (nine cents) lower on domestic styles. The market tone is mostly steady. The U.S. cheese market is weakening and the CME prices for cheddar (the basis for most cheese pricing) are down sharply from mid-April levels. Demand for foreign type cheese is slowing along seasonal patterns. Recent reports indicate that cow's milk cheese output in the EU-15 during the first two months of 2004 totaled 1.04 million MT, 4.0% (adjusted for leap year) less than the same period last year.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-4.1900	2.4225-3.9125*
Gorgonzola	3.6900-5.9400	2.4900-2.9450*
Parmesan (Italy)	TFEWR	3.8325-3.9425*
Romano (Italy)	2.1000-3.1500	-0-
Provolone (Italy)	3.4400-5.5000	2.4325-2.6575*
Romano (Cows Milk)	-0-	3.6200-5.7925*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	2.7500-3.8900	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-3.4500	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	234	0	198	0	153
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, April 2004 uniform prices: Northeast \$17.28, Mideast \$15.88, Southeast \$16.72, Florida \$17.74, and Western New York (a state order) \$17.22 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During April, milk production in the 20 major states totaled 12.58 billion pounds, down 0.9% from April 2003. The following are the April-to-April changes for selected states: Texas +5.5%, Florida +2.0%, Vermont -4.0%, Kentucky -4.4%, New York -4.7%, Pennsylvania -5.1%, and Virginia -5.1%. This week, milk supplies remain long and most Class IV plants are operating on heavy schedules. Milk production is steady to easing lower in much of the Southeast where hot, humid weather prevails. In the Northeast, milk output is at or very near the seasonal peak. Bottled milk sales throughout the East vary from fair to slower. Florida handlers are shipping increased volumes out of state for manufacturing. Some schools in the South are recessing this week and bottlers' milk needs are decreasing significantly. More schools will close each week as we move into June with most Northern schools remaining in session until mid-late June. Contacts have commented on the higher retail prices for milk, but most feel that consumption patterns have not been impacted by the prices and all media articles alerting the public to the rising retail prices. Demand for Class III milk is lackluster at best, which pushes more milk into butter/powder plants. The condensed skim market is mixed depending on Class usage. Prices are unchanged to slightly higher and demand is fair for Class II; almost nonexistent for Class III. The fluid cream market is mixed, mostly steady. Supplies are more than ample, but less excess is clearing to Midwestern butter makers this week. Local butter makers are operating at moderate to heavy levels. Lower prices and multiples are helping fluid cream sales, but demand is often slower. Cream cheese production is slower. Typically, May and early June are low periods for cream cheese output, but the high price for milk (Class III) used in the manufacturing process is also a big factor in plant operating schedules. Ice cream production is picking up now that cream prices have moderated slightly and the warmer weather seems to have given consumption a boost. This is particularly true for soft serve. However, renovations at one operation have lagged scheduled completion times and their cream purchases are not yet back to anticipated levels.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.6094-2.8181
DELIVERED EQUIVALENT ATLANTA	-	2.5468-2.8390 M 2.6303-2.7555
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.6094-2.8808

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9100- .9400
NORTHEAST- CLASS III - SPOT PRICES	- 1.4800-1.5400

MIDWEST

Class I demand was steady to slightly improved but overall demand remains well below levels of past months. The closing of additional schools and/or colleges for the summer also reduced institutional needs. Manufacturing milk interest is weak with supplies exceeding current demand. Sizeable discounts are being demanded by buyers to clear milk this week and for the upcoming long holiday weekend. Many cheese plant operators would rather sell milk than generate additional cheese inventory. Reported spot manufacturing milk prices range from to -\$2.00 to -\$5.00, or even just the Class IV milk price. Some sellers must still pay the freight on top of the discount. Handlers are still trying to book a home for expected surplus volumes over the long holiday weekend with fewer options available. Cream demand is uneven as offerings have increased. The number of rolling storage units (tankers) parked has increased at churners. Ice cream production remains strong seasonally. Whipped cream and holiday dip production is active as producers prepare for berry season and Memorial Day weekend. With mozzarella demand slower, more producers are cutting back NDM use in order to reduce production, also generating more cream. Wet fields continue to hamper some planting and scattered frost impacted some crops over the past week. Current milk receipts are steady to seasonally higher. The initial April milk production in selected Midwestern states compared with April 2003 is: Wisconsin 1.865 billion pounds,

unchanged from last April; Minnesota 688 million pounds, off 25 million pounds (-3.5%); Michigan 520 million pounds, down 1 million pounds (-0.2%); and Iowa 307 million pounds, a drop of 20 million pounds (-6.1 %).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 59.25	\$ 41.00- 45.50
REPLACEMENT HEIFER CALVES	\$350.00-580.00	\$260.00-380.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAY 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 51.25- 61.00	\$ 39.00- 53.00

WEST

Milk production in the 20 Selected States was down 0.9% in April from 2003 to reach 12.58 billion pounds. Cow numbers have now increased 6,000 head since December. Many are stating that reduced culling rates are the major reason for the increase. Production per cow was up 3 pounds (0.2%) in April from a year ago. Contacts are somewhat surprised since feed costs are much higher than earlier in the year, rBST supplies have been cut by 50%, and some of the cows being retained would normally be hamburger by now. March production was adjusted higher by 22 million pounds and is now calculated to be down from a year earlier by 1.7%. Output for the first four months of the year is down 1.4% from a year earlier after adjusting for the extra day. Output for April for selected Western states compared to last year is as follows: Arizona +0.6%, California +1.2%, Idaho +2.0%, New Mexico -0.5%, and Washington -2.8%. Cow numbers in these five states are up 50,000 head from last year. Production per cow in the region is mixed with some states showing improvement while others are much lower. Milk output in CALIFORNIA is steady to moving marginally higher across the state. Weather conditions have been very ideal for the milk cows. Milk is plentiful and most plants are running near capacity. This week, a plant in the state will be shuttered and the milk shipped to other plants. Cheese producers often are attempting to sell milk to keep inventories in tighter balance. Bottled milk orders are running slow. Retail sales are lower, in part, because of higher prices, but no one is pegging an exact amount. Also affecting demand is the closing of colleges and schools. The upcoming holiday weekend will also be a factor. ARIZONA milk production is declining slightly off what was likely the seasonal peak of several weeks ago. Temperatures are good for this time of the year and not stressing cows much. Bottled milk orders are mixed. A major store chain is featuring milk and moving decent quantities. Processing plants are being offered milk from other handlers within the region. NEW MEXICO milk output continues to trend upwards. Fat and protein levels of incoming milk are moving lower. Milk volumes are heavier than desired, especially with cheese makers in other regions cutting back on milk and component orders. Milk shipments to the southeast are currently light. The CREAM is highly unsettled. Prices are often mixed as multiples and overages are adjusted to keep cream moving. Butter prices have bounced around at the CME and closed Wednesday at \$2.0775. Demand is mixed. Ice cream producers are still taking decent volumes in advance of higher June class prices and to build summer stocks. Butter production is often higher as excess cream settles at churns. Cream multiples range from 107 to 124, FOB, and vary depending on class usage and basing point. Moderate temperatures and some shower activity are common over much of the PACIFIC NORTHWEST. Milk production is holding about steady near the seasonal peak. Some comments are noted that fat tests are coming in a bit lower than expected. No one seems to be too concerned about handling milk supplies over the holiday weekend at the end of the month. The rain is not hurting the cows currently, but it is not helping the first cutting hay harvest at all. Some growers are delaying harvesting until the weather patterns improve, but their hay is past the peak in quality and is getting too old. Others have cut when they should have based on maturity and that hay has been down in the field for two weeks and new growth is coming up through the windrows. What hay that has sold has been between \$120-130 in the stack, up quite a bit from last year. Buyers are relooking at some of last year's hay to see if they should be making additional purchases of that type of hay. UTAH and IDAHO farmers are hoping the forecasters are right and that they will get some rain this week. Conditions remain very dry and water is being turned on to many of the crops. Some hay is being cut, but conditions are dry enough that even those people may not mind some showers. Milk supplies are still increasing slowly across the region. Cheese plants are less than enthusiastic about taking in any outside milk. Plant capacity will be available over the holiday weekend if the price is right. Heifer prices at a major sale in the region were a bit weaker last week, but rebounded to \$2100, on average this week, higher than the last three weeks. Contacts are stating that they see very little corn planted for silage this year with most of those acres probably going into barley production.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged on a steady to firm market. Production is trending higher. Some plants are surprised by the higher fluid milk volumes available, especially when many schools have yet to recess for the summer. Some concern is noted about milk intakes over the upcoming holiday weekend. In general, milk supplies are being handled adequately. Prognostications of NDM prices of \$1 during the summer months are beginning to dissipate in light of higher production schedules and continued offerings of CCC NDM. The current CCC allotment for competitive bids includes 4,000,000 pounds of NDM aged 8-24 months. High heat supplies remain tight with most movement occurring on a contractual basis.

EAST: Eastern prices are unchanged. Production levels are up significantly in the East. Surplus milk volumes are heavy and butter/powder plants are getting the lion's share of the surplus milk. The difference between Class III and IV milk prices is the major factor causing the increased receipts. Dryers that were barely operating a month ago are now running daily. The extra powder being produced is clearing quickly. Most of the output is already committed to contract customers. Spot sales continue to be filled in the resale market. Demand is fair to good and a little less aggressive now that current production is as heavy as it is. High heat NDM is in a tight position as output is limited by the large volumes of milk to be processed. Earlier in the year, little NDM was being made which prompted concern about availability later this year and purchases from CCC stocks. There is still some concern about milk and NDM supplies later this summer, but this recent glut of milk has salvaged some of them. Last week, CCC announced that under its new, competitive bid method of selling back NDM, it sold 2.03 million pounds for unrestricted use and 474,577 pounds for restricted use. Prices varied depending on the age of the powder sold.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8300 - .9800 MOSTLY: .8700 - .9100

HIGHHEAT: .8625 - 1.2000

NONFAT DRY MILK - WEST

Low/medium heat nonfat dry milk prices are holding mostly steady with declines noted at the top end of the range. The market tone is steady to firm. Buying interest is less aggressive than in recent weeks as buyers assess current needs against pricing levels. The higher prices have created uncertainty, especially as the cheese market prices decline. Additional milk volumes are being moved out of cheese plants into butter/powder operations. Condensed skim and NDM usage in cheese production are also lower. NDM movements for DEIP, export contracts, and domestic contracts are fair to good. Current stocks are light to moderate with the majority committed. The KCCO (CCC) announced on May 13 that 2,033,261 pounds of NDM for unrestricted use were sold back to the trade. Prices ranged from \$0.88 to \$0.96 per pound. Additionally, CCC announced Invitation 011 inviting offers for up to 4.0 million pounds of NDM for unrestricted usage. Offers are due on May 24 with public announcement of awards on May 27. No support price purchases were made for the week of May 10 - 14. High heat prices are unchanged in light trading. There are more offerings than in recent weeks, but most is moving to catch up on past contract commitments. Stocks are limited.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8200 - .9100 MOSTLY: .8200 - .8900

HIGHHEAT: .8500 - .9100

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 14	\$.8219	14,822,976	0
May 7	\$.8213	13,701,031	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices remain unchanged and nominal on a firm market. Despite increased churn activity and higher condensed buttermilk production, supplies of dry buttermilk remain tight. Available supplies of condensed buttermilk are often readily consumed by Class II facilities. Extra loads of dry buttermilk produced are mostly being diverted into contractual accounts that have been previously shorted. At some locations, supplies of NDM are more readily available, encouraging buttermilk users to change packaging labels and substitute away from dry buttermilk. Western buttermilk prices are competitive with the Central region with limited movement noted from the West to the Central region.

F.O.B. CENTRAL:

1.0775 - 1.2700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady. The Northeastern price range is still nominal and includes resale prices. The market tone is relatively firm, but the recent increase in churning activity has created more buttermilk to dry. Although most buttermilk is clearing as a liquid, some additional drying was noted. Producers are still actively making NDM and have little dryer-time to make buttermilk powder, but some additional volumes are being made. Stocks are light, but some additional loads are occasionally available at the plant level. Demand is steady.

F.O.B. NORTHEAST:

1.0000 - 1.1900

DELVDSOUTHEAST:

.9800 - 1.2000

DRY BUTTERMILK - WEST

Western dry buttermilk prices moved higher. Trading activity is increasing but volumes are often only available on a limited basis. Buyers are willing to take offerings of LTL and pallet quantities to partially satisfy their needs. Production is moving higher with increased churning, but stagnated by limited dryer times and the good call for condensed buttermilk. Stocks remain light.

F.O.B. WEST:

.9850 - 1.0500 MOSTLY: 1.0000 - 1.0400

DRY WHOLE MILK - NATIONAL

Prices are mostly unchanged and remain nominal. Production levels are light. Heavier volumes of surplus milk in most parts of the country are limiting dry whole milk production. In most cases, producers are drying skim rather than whole milk. Plant stocks are light as their output usually is geared to filling contracts. Demand is little changed.

F.O.B. PRODUCING PLANT:

1.4150 - 1.5800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 - YTD

WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHEESE	--	3,030	MT (66,799,938 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices remain unchanged on a steady market. Trade interest is very light. Resellers are resisting discount offers from manufacturers due to the possibility that prices may decline faster than product could be cleared via the resale market. Resale trades are noted above and below the range. Most direct manufacture offers to end-users are noted at the average or higher. Price resistance is noted by some food and feed buyers with some buyers able to purchase permeate or lactose as suitable substitutes. Some feed buyers have accumulated stocks and are offering excess supplies of whey back onto the market. Production of whey is mixed. While some cheese plants are making concerted efforts to divert milk intakes to other manufacturing outlets, other plants are without recourse and operating at capacity levels not seen in recent times.

F.O.B. CENTRAL: .3050 - .3250 MOSTLY: .3050 - .3150

DRY WHEY - NORTHEAST AND SOUTHEAST

The dry whey market is steady. However, some of the "steam" seems to be coming out of the market. Despite the fact that less cheese is being made (Class III milk price issues), product appears to be not as tight as it was and demand is basically steady. There are reports of contract buyers offering some of their stocks on the spot market. This may be caused by slower than expected usage and/or them seeing a profit potential for some of their earlier purchases. For the most part, these offers found few buyers. Other contacts continue to express the opinion that the market will re-firm as we get into summer and they continue to hold existing stocks with confidence. Prices are unchanged and nominal in the Northeast. Demand is lackluster as buyers are being offered more loads than they were a month or so ago.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3150 - .3400
DELVD SOUTHEAST: .3250 - .3600

DRY WHEY – WEST

Prices continue to increase for Western whey powder, but at a slower rate than has been recently noted. Domestic interest appears to be strong with powder continuing to move from the Western region to Central markets. This movement has closed the price gap between the two regions. Export sales seem to be lagging somewhat. Buyers seem to be hesitant to book additional loads at these prices. Offers are on the table that are not leading to shipments. Some buyers are stating that they are getting some indications from sellers that product might be biddable either currently or in the very near future. If this begins to occur, it may indicate that some powder is backing up. Most sellers indicate that supplies currently are in balance.

NONHYGROSCOPIC: .2500 - .3100 MOSTLY: .2600 - .2800

ANIMAL FEED WHEY – CENTRAL

Prices remain unchanged and nominal on a mostly steady market. Supplies are reportedly more available than in weeks prior. Offers are noted on the high side of the range for the light interest. Some resellers continue to hold aged supplies with confidence from 2-3 months ago. Veal and early weaned pig markets are trending steady to weak.

F.O.B. CENTRAL:
MILK REPLACER: .2700 - .3000

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Supplies are generally short of buyer interest. Export demand is noted as good into Mexico. Asian inquiry is also reported. Feed buyers are expressing resistance to the higher prices, encouraging interest in alternative proteins such as delactose and wheat protein. Production is generally reduced as whey solids continue to be diverted toward the more profitable high protein markets. Buyers and sellers were surprised by the high CCC sell back price on NDM for restricted use (0.6814-0.6914). CCC sell back NDM for restricted use is a substitute to WPC 34% into some feed facilities. The recent release is not anticipated to affect the WPC market. However, continued releases may affect supply and price movement in the future. Off grade supplies are limited for the good interest with some prices reported near the average.

F.O.B. EXTRA GRADE 34% PROTEIN: .6375 - .6700 MOSTLY: .6375 - .6475

LACTOSE - CENTRAL AND WEST

Lactose prices remain unchanged on a steady market. Production is mixed. While some cheese plants have reduced their milk intakes and are producing less condensed whey, others are producing at higher levels due to heavier milk supplies available, increasing lactose production. Inventories are reported as in balance to somewhat long. Movement is generally contractual. Some interest is noted on the higher mesh sizes with the lower mesh product in the longest position. Contractual negotiations are commencing for the third quarter with some weak undertones noted as foreign buyers in particular are expressing price resistance.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .2200 - .2700 MOSTLY: .2300 - .2450

CASEIN – NATIONAL

Casein markets remain firm. Most domestic buyers continue to receive their contracted volumes, although spot availability is limited and basically non-existent. Suppliers indicate that their volumes are in close balance with some having to reach to other sources to fulfill their contractual needs. Domestic casein users and potential casein producers are very curious about the outcome of the current round of government sales of NDM for the production of casein/caseinates. During the two most recent rounds of bidding, bids of \$.22 - .26 per pound were rejected. Potential producers feel that recent sales of government owned powder for other needs at much higher prices, might limit future availability of powder for casein output.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.3500 - 2.5500
ACID: 2.3500 - 2.5500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Most producers' lines are back to pre-April levels. The heavier volumes of surplus milk are welcomed, but the price of this milk remains well above year ago levels. Some price discounting for the growing volumes of milk is noted, but some producers still are reluctant to make too much product at these prices. Buyers are adjusting to the most recent round of price increases. Most resist any increase and most are shopping for better deals, if they are available. This remains a highly competitive market. The Kansas City Commodity office announced the issuance of EVD-1, invitation 800 inviting competitive offers to sell to CCC 4,443,120 pounds of evaporated milk for delivery July - September. Offers are due by 9:00 a.m. CDT, May 25, 2004.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

APRIL MILK PRODUCTION

Milk production in the 20 major States during April totaled 12.6 billion pounds, down 0.9 percent from April 2003. March revised production, at 12.8 billion pounds, was down 1.7 percent from March 2003. The March revision represented an increase of 0.2 percent or 22 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,630 pounds for April, 3 pounds above April 2003.

The number of cows on farms in the 20 major States was 7.72 million head, 81,000 head less than April 2003, but 2,000 head more than March 2004.

APRIL 2004 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2003	2004	2003	2004	2003	2004	% CHANGE FROM 2003
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	155	155	2,045	2,055	317	319	0.6
CA	1,685	1,714	1,800	1,790	3,033	3,068	1.2
FL	144	138	1,415	1,505	204	208	2.0
ID	397	414	1,800	1,760	715	729	2.0
IL	111	108	1,610	1,580	179	171	-4.5
IN	148	147	1,685	1,660	249	244	-2.0
IA	203	194	1,610	1,580	327	307	-6.1
KY	120	110	1,140	1,190	137	131	-4.4
MI	301	297	1,730	1,750	521	520	-0.2
MN	475	465	1,500	1,480	713	688	-3.5
MO	130	124	1,325	1,370	172	170	-1.2
NM	315	327	1,810	1,735	570	567	-0.5
NY	679	658	1,505	1,480	1,022	974	-4.7
OH	261	261	1,490	1,500	389	392	0.8
PA	582	561	1,575	1,550	917	870	-5.1
TX	320	317	1,600	1,705	512	540	5.5
VT	150	144	1,495	1,495	224	215	-4.0
VA	116	102	1,355	1,460	157	149	-5.1
WA	248	240	1,895	1,905	470	457	-2.8
WI	1,260	1,243	1,480	1,500	1,865	1,865	---
20 STATE TOTAL	7,800	7,719	1,627	1,630	12,693	12,584	-0.9

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (5-04), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

THE DAIRY OUTLOOK

Use Key to Continued Record Prices - Wholesale prices of dairy products varied in late April-early May. Net change generally was not much until butter and cheese prices dropped about 10 percent as mid-May neared. Meanwhile, nonfat dry milk prices moved slightly higher. Milk supplies have been considerably below a year earlier. Meanwhile, demand has been boosted by a combination of improved sales, particularly of cheese, and concern about second-half conditions. With milk production likely to stay below a year earlier through most of 2004, the key to how long dairy prices stay high will be the strength of demand recovery. Restaurant demand came back in the first quarter after more than 2 years of sluggishness, joining the earlier recovery in retail and (to a lesser extent) food processor use. Cheese demand was so brisk that cheese production not only pulled very large amounts of milk from other uses, but apparently used so much nonfat dry milk in the vats that the seemingly endless surplus of skim solids virtually disappeared. The core question for dairy markets in the coming months is how much of the recent cheese movement has actually been eaten. In extreme markets, buyers are understandably more concerned with what might happen than what is most likely to occur. Precautionary buying for future needs can easily push prices beyond sustainable levels. If declines in milk production start to ease as expected, dairy product prices probably will slip this summer. Even so, farm milk prices probably will be a record in 2004, up as much as \$4 per cwt from 2003. On the other hand, prices could remain quite strong if final cheese use has actually absorbed most of the recent cheese movement. Such a surge in cheese demand has not occurred in a number of years although there are a number of precedents. Consumer incomes and economic growth have been strong, but the economy seems to contain enough scattered areas of weakness to forestall such a dramatic, sustained upswing in use.

Softer 2005 Prices Seen - Dairy markets in 2005 will be greatly affected by how long 2004 prices remain at record levels. After low milk prices in both 2002 and 2003 and the peculiar set of circumstances leading to this year's price recovery, farmers likely will be reluctant to start planning expansions. Similarly, weaker producers may see any significant price decrease as a sign to leave dairying, particularly given the scheduled end of the Milk Income Loss Contracts at the end of September 2005. A few months of high prices in 2004 probably would not alter the pattern of milk cow numbers much, particularly when dairy replacement supplies are tight. On the other hand, an extended period of strong prices would tend to be viewed as a harbinger of more lasting price recovery. Milk cow numbers are expected to continue to decline in 2005 but at a slower rate than in 2004. Milk per cow should post a relatively large increase in 2005. The presumed return of normal availability of bovine somatotropin (BST) should quickly be seen in milk per cow gains. Also, concentrate feed prices are projected to be somewhat lower than this year, leaving milk-feed price ratios no worse than slightly unfavorable. Milk production is projected to rise 1 to 2 percent from 2004 on a daily average basis. Even though there may be some negative carryover from 2004's soaring prices, demand in 2005 is expected to be fairly strong. Economic prospects are generally favorable, and consumer spending seems to be shifting back to stronger food expenditures. In addition, some commercial exports of nonfat dry milk are possible, at least in the first half. Farm milk prices are expected to average \$13-\$14 per cwt in 2005, down sharply from this year but considerably higher than the low prices of 2002 and 2003. If this year's jump in cheese demand proves larger than now seen, the decrease in 2005 farm milk prices could easily be considerably smaller.

Low Prices Boost 2003 Dairy Use - Per capita consumption in 2003 rose to 594 pounds, milk equivalent, milkfat basis, the most since 1987. However, the 2003 total represented much larger commercial use per person than during the mid-eighties. About 7 percent of the total consumption in the mid-eighties consisted of donations from government stocks; donations in 2003 were negligible. Commercial consumption in 2003 was the highest in almost 40 years. Spurred by generally low prices, per capita consumption of most major dairy products rose slightly in 2003. Small gains were posted for butter, cheese, evaporated and condensed milk, nonfat dry milk, and frozen products other than regular ice cream. Per person use of fluid products slipped. Although the amounts of dairy products sold in 2003 seemed impressive, demand actually was fairly weak for most of the year. Real dairy prices were very low, and consumer response to the low prices was lackluster. If 2003 demand had equaled the strength of the 1999-2001 period, more than 600 pounds per capita probably would have been needed to meet consumer desires at 2003 prices. In the longer-term perspective, 2003 demand was moderately weak and would have been very weak if not for the recovery late in the year.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-119, May 18, 2004, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, APRIL

HIGHLIGHTS: Handler reports of receipts and utilization under the Federal milk order system for April have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During April, about 6.5 billion pounds of milk were received from producers. This volume of milk is 39.5 percent lower than the April 2003 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -1.3 percent.) About 3.8 billion pounds of producer milk were used in Class I products, 0.4 percent lower than the previous year. Calendar composition had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilization percentages were; Class I = 58%, Class II = 18%, Class III = 9%, and Class IV = 15%. The weighted average statistical uniform price was \$16.48 per cwt., \$1.32 higher than last month, and \$5.72 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF APRIL 2004										
FEDERAL MILK ORDER MARKETING AREA ^{1/}	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE ^{2/}
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001 ^{3/}	1,840.8	-12.7	892.3	2.5	49	20	20	12	17.28
Appalachian (Charlotte)	005 ^{3/}	482.1	-12.7	368.2	1.2	76	16	1	7	16.76
Southeast (Atlanta)	007 ^{3/}	562.2	-11.6	390.5	1.7	70	13	2	15	16.72
Florida (Tampa)	006 ^{3/}	239.6	-11.1	217.0	3.6	90	8	^{4/}	2	17.74
Midwest (Cleveland)	033 ^{3/}	873.3	-40.7	544.2	2.1	62	26	5	6	15.88
Upper Midwest (Chicago)	030 ^{3/}	608.0	-67.4	381.8	12.9	63	16	2	19	15.55
Central (Kansas City)	032 ^{3/}	612.3	-58.1	371.2	-7.4	61	21	3	15	15.64
Southwest (Dallas)	126 ^{3/}	634.1	-32.0	350.3	2.4	55	19	2	24	16.18
Arizona-Las Vegas (Phoenix)	131	253.3	-9.5	82.8	1.4	33	8	41	19	17.29
Western (Salt Lake City)	135 ^{5/}	----	---	---	---	---	---	---	---	---
Pacific Northwest (Seattle)	124 ^{3/}	414.4	-33.8	179.2	2.1	43	8	3	46	15.34
ALL MARKET AVERAGE OR TOTAL	^{3/}	6,520.1	-39.5	3,777.4	-0.4	58	18	9	15	16.48

^{1/} Names in parentheses are the major city in the principal pricing point of the market.

^{2/} Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

^{3/} Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 3.8 billion pounds of milk that normally would have been associated with these markets. In April 2003, the estimated not-pooled volume of milk was 215 million pounds, occurring in Order Nos. 033, 030, 032, and 135. After adjusting for these not-pooled volumes, and milk pooled on the Western (see ^{5/}) market during April 2003, the year-to-year percent change is -1.3.

^{4/} Less than 0.5 percent.

^{5/} Effective April 1, 2004, the Western Milk Marketing Order was terminated.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE PERIOD OF MAY 17 - 21, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 05/14/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	10,620,040	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,067,040	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	11,687,080	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	6,232,244	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,545,706	-0-	-0-
Process	-0-	-0-	-0-	-0-	27,640,800	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	39,418,750	-0-	-0-
NONFAT DRY MILK							
Nonfortified	7,694,154#	-0-	7,694,154	279,289,251#\$	455,288,954	702,170,000	1,255,752,000
Fortified	-0-	-0-	-0-	-119,048	125,332	46,391,000	46,391,000
TOTAL	7,694,154	-0-	7,694,154	279,170,203	455,414,286	748,561,000	1,302,143,000

Export Donation Program under Invitation 080 to announcement FMP1. The cumulative under Invitation 080 is 37,987,838. \$ Includes export donation deliveries under Invitation 070.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MAY 17 - 21, 2004 =	1.7	189.6	COMPARABLE PERIOD IN 2003 =	33.5	144.5
CUMULATIVE SINCE OCTOBER 1, 2003 =	60.5	3,249.5	CUMULATIVE SAME PERIOD LAST YEAR =	718.8	5,692.7
CUMULATIVE JANUARY 1 - MAY 21, 2004 =	35.0	1,900.3	COMPARABLE CALENDAR YEAR 2003 =	644.7	4,427.1

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE PERIOD OF MAY 17 - 21, 2004 (POUNDS)

REGION	BUTTER				CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS		NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-		-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-		7,694,154	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-		-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	27,852,372	7,646,276	16,959,735	2.8	36.3
WEST	-42,309	11,687,080	-0-	11,566,378	267,240,153	411,657,765	95.7	62.9
EAST	-0-	-0-	-0-	-0-	4,283,774	26,796,786	1.5	0.8
TOTAL	-42,309	11,687,080	-0-	39,418,750	279,170,203	455,414,286	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **66,666,155 pounds**.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 05/01/04 & Comparable Week 2003

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2004-Dairy	0.0	0.6	7.1	2.1	15.0	2.2	0.5	0.9	9.4	2.1	40.0	851.3
2003-Dairy	0.2	0.7	7.4	4.5	21.2	2.1	0.4	0.9	12.8	3.3	53.5	1,026.1
2004-All cows	0.0	0.7	8.7	10.6	26.6	13.3	15.5	3.1	11.2	5.3	95.0	1,748.6
2003-All cows	0.2	0.9	9.7	13.8	32.3	15.0	14.8	3.4	15.1	6.7	112.0	2,071.1

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13						
II	11.67	12.90	14.79	15.21								
III	11.61	11.89	14.49	19.66								
IV	10.97	12.21	14.10	14.57								

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm0s/mib/cls_prod_cmp_pr.htm